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SENSITIVE

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TAGS: [PTER](#) [KTFN](#) [KVPR](#) [EFIN](#) [ETTC](#) [PREL](#) [ES](#)

SUBJECT: TERRORISM FINANCE COORDINATING OFFICER (TFCO) AND ACTION PLAN

REF: A. STATE 175637 B. STATE 145310

1. Post is pleased to provide the following information, keyed to Ref. A requests, on coordination of efforts to combat terrorism financing:

a. TFCO: Jessica Webster, Economic Counselor, 503-2501-2050, websterjm@state.gov;

b. Deputy TFCO: David Krzywda, Economic Officer, 503-2501-2050, krzywdada@state.gov

c. Publication of a list of TFCOs and Deputy TFCOs by region on the Department's classified website would be useful to improving coordination among TFCOs. Publishing success stories on the website that describe how TFCOs, working with host governments, have thwarted terrorism finance would also be useful, especially in communicating the importance of the issue to host-government officials.

d. Post's Action Plan for Combating Terrorism Financing in El Salvador, which follows in Paragraph 2, includes actions to engage a variety of audiences on terrorism finance related issues (Ref. B).

e. Washington agencies' support for post's efforts on combating terrorism financing is excellent; however, consistently providing same-day translations of designations would improve the speed with which we can notify our host government and request assistance in investigations.

2. Begin Text:

Combating Terrorism Financing in El Salvador An Action Plan
U.S. Embassy, San Salvador

Combating Terrorism Financing Working Group:
DCM, ECON, POL, DEA, Legatt, ICE, INL, ORA, PAO, USAID

Because the Islamic community in El Salvador is small, and charities or other mechanisms to collect funds are not well developed, there is a low risk that Islamic terrorists will use El Salvador as a site for significant fund raising. To date, El Salvador has not identified, frozen, or seized any assets under UNSCR 1267 or 1373. However, we believe there is some risk that other terrorists, particularly of Latin American origin, will use El Salvador as a site to launder drug money, possible for terrorism financing. The volume of cash that flows through remittances and the freedom of moving money into El Salvador's dollarized economy make it an attractive environment. For example, the Salvadoran police (PNC) recently arrested a Panamanian national for allegedly laundering \$75,000 a day through Salvadoran wire transfer companies since March of 2004.

El Salvador's money laundering law provides a legal basis for freezing and seizing proceeds from illegal activities but does not regulate the flow of legitimate money to terrorist organizations. Nonetheless, the Government of El Salvador (GOES) has been largely cooperative on investigating the names and organizations on all USG-provided terrorism financing lists. The Financial Investigations Unit of the Attorney General's Office leads the investigations, and according to the lead prosecutor in that office, it vets all lists with the Superintendency of the Financial System, the Superintendency of the Stock Market, the National Registry, the Internal Tax Office of the Ministry of Finance, the Migration Office of the Ministry of Governance, and financial institutions. However, a notable lack of initiative in the Attorney General's Office to investigate money laundering may carry over to terrorism financing investigations.

Draft counterterrorism legislation, which the GOES has yet to present to the National Assembly, includes provisions on terrorism financing, though the implementation of this law will be challenging due to technical limitations, banking privacy laws, lack of initiative in the law enforcement community, and the banking system's culture of protecting clients. Furthermore, the law does not reflect the latest guidance on combating terrorism financing from the Financial Action Task Force (FATF), especially on wire transfers, remittances, NGOs, and cash couriers.

On July 29, 2005, the UN Security Council passed UNSCR 1617

reaffirming and strengthening global sanctions against Islamic terrorists. The resolution strongly urges members to implement FATF recommendation on money laundering and terrorist financing (attached), creating an important new basis for discussions about asset freezing and seizure, about strengthening the regulation of the traditional financial sector, and about bringing less-regulated and nontraditional financial institutions under more formal scrutiny. The following are concrete proposals for USG action to support El Salvador in combating terrorist financing:

Pressure the GOES to comply with UNSCR 1617 by addressing the FATF recommendations on terrorist financing in their draft terrorism legislation. Provide the GOES feedback on the draft legislation now being prepared by the U.S. Treasury Department. Highlight possibility that U.S. authorities may more closely scrutinize remittance flows if El Salvador does not take measures to ensure mechanisms used to transmit them are not being used for terrorism financing or money laundering. Counterparts:

- Ministry of Governance staff at working level (ECON, INL) and senior level (AMB/DCM)
- President's legal staff at working level (ECON, DOJ)
- National Assembly Deputies (ECON, POL, USAID)
- PNC and Attorney General's Office (DEA, DOJ, INL, ICE, Legatt)
- Regulators at the Superintendency of the Financial System and Superintendency of the Stock Exchange (ECON, INL)
- Ministry of Finance and Central Bank on use of remittance flows for money laundering and terrorism financing (ECON)
- Ministry of Foreign Affairs staff covering United Nations issues (POL, ECON)

Pressure the financial and banking to support efforts to combat terrorism financing, reminding them, if necessary, that U.S. authorities have the authority to restrict cross-border transactions from the United States if they suspect money laundering or terrorism financing. Counterparts:

- Compliance officers at Banco Cuscatlan, Banco Salvadoreno, Banco Agricola, Western Union, and Gigante Express (ECON, DEA)
- Executive Director at the Salvadoran Banking Association, ABANSA (ECON)

- Encourage public support for combating terrorism financing through a public affairs campaign in print media, including an opinion piece by the Ambassador. Counterparts:
- La Prensa Grafica, El Diario de Hoy, CoLatino, AmCham magazine Business (PAO, ECON)

Continue to provide training to GOES officials and the private sector on money laundering investigation, highlighting techniques useful for combating terrorism financing. Counterparts:

- PNC, Attorney General's Office, Customs, Central Bank, Financial Sector Superintendency, commercial banks (INL, Treasury/OTA, Legatt, ICE)

Continue to provide GOES with terrorism financing lists and verify that information is distributed appropriately and used to screen suspicious transactions. Counterparts:

- Attorney General's Office, Superintendency of the Financial System, Superintendency of the Stock Exchange, Ministry of Finance, Central Bank, commercial banks, stock market (ECON)

Support GOES efforts to investigate and prosecute money laundering and terrorism financing by sharing intelligence and providing other direct support. Counterparts:

- PNC, Attorney General's Office, Customs, and Interpol (DEA, ORA, INL, ICE, Legatt)

End Text.
Barclay